

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking on the
Commission's Own Motion to Conduct a
Comprehensive Examination of Investor
Owned Electric Utilities' Residential Rate
Structures, the Transition to Time Varying and
Dynamic Rates, and Other Statutory
Obligations.

Rulemaking 12-06-013
(Filed June 21, 2012)

PRE-WORKSHOP COMMENTS OF UTILITY CONSUMERS' ACTION NETWORK

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September 8, 2016

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PRE-WORKSHOP STATEMENT OF UTILITY CONSUMERS' ACTION NETWORK

I. INTRODUCTION

Pursuant to an email ruling from Administrative Law Judge Jeanne McKinney dated August 29, 2016, the Utility Consumers' Action Network (UCAN) hereby offers the following pre-workshop comments on the Greenberg ME&O blueprint and its recommendations. In the emailed ruling Judge McKinney notes that the workshop will consider five categories (buckets) in which to place the blueprint recommendations. UCAN would note that we will provide our input on the bucket items at the workshop. These comments, however, will not attempt to divide individual recommendations but instead focus on two important aspects of the blueprint that deserve comment but are not easily placed into the bucket list provided.

While there are some aspects of the blueprint that UCAN agrees with, there are significant areas where we disagree. Rather than concentrating on all aspects here, UCAN will focus on just two items, the vision statement that informs how to proceed with educating utility customers, and the blueprint's preliminary 2017-2019 budget assumption of \$362.4 million to implement the blueprint's strategic vision. UCAN objects to these items as they both need serious reconsideration.

II. THE VISION STATEMENT OF THE BLUEPRINT NEEDS TO BE MORE FOCUSED

In the development of the blueprint the hired consultants from Greenberg met with the Commission formed working group to develop a strategic plan and vision for the marketing, education and outreach efforts to utility customers to prepare them for the move to time-of-use (TOU) rates in 2019. The purpose of this WG was to develop unique communications (messages) to specific segments through the appropriate communication channels for the various segments. The reason for hiring a consultant was to address a special need to communicate a very complex message simply since the tiered rate will become less steep (flatter) over the next few years, opt-in TOU rates and pilots will be offered over the same time period, and default TOU will be implemented in 2019 with all residential customers migrated, with limited exceptions, to default TOU in 2019. Utilities will also be testing the economic burden on various customer groups prior to 2019 to identify exemptions.

Because the messages are many and complex over several years, the utilities need to decide what messages to communicate to what segments at what time and through what communication channels. To accomplish this the Greenberg team thought that a vision statement was necessary to provide aspirational goals to inform the strategy of the marketing plans. As the blueprint describes it:

“The MEO Vision is a long-term but achievable aspiration. It provides clear direction for all actors as the foundational principle for MEO alignment. In addition to creating a “north star” to align efforts, it helps prioritize efforts and provides inspiration.”¹

The ME&O blueprint has the following as its vision statement:

“To vitalize every Californian’s relationship with electricity and the grid, in ways that better their lives and forever change their behavior, for the ongoing prosperity of our state.”²

UCAN submits that this ME&O vision statement fails to provide direction as a foundational principle. The vision statement talks about how the purpose of the marketing outreach effort should be to “vitalize” the customers’ relationship with the grid to “forever” change their

¹ ME&O Blueprint, slide 26

² Id.

behavior” for the “prosperity of our state.” To a customer skeptic, this vision statement might sound like code for *rates are going up*. The vision statement that is put forward in the blueprint is overly broad and fails to properly focus and inform the ME&O effort.³

A proper vision statement should be narrow enough to clarify the nature of the business and how the company will relate to all stakeholders, including customers, employees and regulators yet broad enough to conform to a range of strategies and tactics as economic and industry conditions and technologies change over time. Traditionally, utilities claimed their primary objective was “to provide reliable power at a reasonable price.” This is sufficiently narrow to be clear about what the utility would provide.

One key strategy that should emerge from a vision statement is the move toward TOU pricing by all customers. TOU pricing is a better fit for both the customer and the utility because it better reflects the cost of service and motivates customers to consume more efficiently and thereby helps to manage utility costs by reducing the need for new generation. Plus, with the deployment of Smart meters, there are now more opportunities for customers to save through energy efficiency and demand response programs as well as residential TOU pricing. The ultimate goal is for customers and utilities to achieve the same ends acting independently.

The more efficient are the actions of utilities, customers and regulators, the better for the customer, the utility and the State. But to get all stakeholders on the same page requires targeted messaging about the coming changes. The blueprint’s vision statement fails to be the guiding “north star” that will align these efforts.

III. THE BLUEPRINT’S SUGGESTED ME&O 2017-2019 BUDGET OF \$362.4 MILLION SHOULD NOT BE USED AS A GUIDE AND MUST BE RECONSIDERED.

As noted in the blueprint and the executive summary, Greenberg has broadly estimated that a proper ME&O campaign to prepare customers for the rollout of default TOU is likely to cost the following amounts:

- Mass media spend (statewide and IOUs): ~\$200 million
- Direct marketing costs (IOUs only): ~\$132 million

³ In the Working Group the parties were presented with the vision statement and then immediately polled on if they liked it. At the time UCAN indicated that we were “not thrilled” with it. Upon further reflection our concerns have only increased.

- Survey development and metrics evaluation (statewide and IOUs): ~\$4.2 million
- Personnel costs for oversight and coordination (statewide and IOUs): ~\$26 million
- IOU IT upgrades necessary for marketing automation are not included in these estimates.⁴

The blueprint also notes that the Sacramento Municipal Utility District (SMUD) paid only \$4.00 per customer account to market their default TOU rates.⁵ Understanding that there are currently approximately 10 million utility customer accounts in the state of California for PG&E, SCE and SDG&E, if the Commission used the costs that SMUD incurred as a baseline to estimate a marketing budget for these ME&O efforts, the costs for marketing to default TOU rate to customers should be approximately \$40 million. Even if the Commission were to assume that PG&E, SCE and SDG&E will incur triple the costs that SMUD incurred to market a default TOU rate, the total cost would be only \$120 million rather than the \$362.4 million the blueprint estimates.

While UCAN understands that budgets can vary depending on circumstances, UCAN is very concerned that the Commission will use the blueprint estimate of \$362.4 million as a starting point to estimate an ME&O budget, rather than using the SMUD actual costs as a basis to properly estimate a budget. While UCAN believes that the Commission needs to properly allocate enough resources for this marketing outreach effort, we urge the Commission to limit the size and scope of the budget to a proper size.

IV. CONCLUSION

UCAN appreciates the opportunity to comment and we look forward to attending the ME&O workshop.

Dated: September 8, 2016

Respectfully submitted,

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⁴ Greenberg September 2nd executive summary at page 7

⁵ Blueprint at slide 552

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